

**Council Report Back**  
**2019 Budget Questions**  
**Part 3**

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<b>Question 3-1</b> Report on how people moving out of the City would affect the budget a couple of years from now.	<b>Question From</b> Cyr	<b>Answer From</b> Finance
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The reduction in City population would impact the amount of Income Tax, State Use Tax, and State Motor Fuel Tax the City receives as these are funded through the Local Government Distributive Fund based on population (per capita). The current projection of the annual per capita for May Fiscal Year End 2019 is \$146.87. In 2020, the Federal Government will conduct a census in April with the results to be reflected in 2022. There would also be a decline in many of our revenues including municipal sales tax, home rule sales tax, telephone utility tax, local motor fuel tax, restaurant tax and amusement tax to name a few. The reduction in these taxes are not quantifiable as people's spending habits are not the same; however, we do recognize there will be a decline. Eventually a decline in population could also lead to a decline in property values as properties may be sold for less; thereby reducing EAV.

<b>Question 3-5</b> Report on the new taxes implemented on gas and cigarettes and how that impacted the budget.	<b>Question From</b> Cyr	<b>Answer From</b> Finance
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In 2015, Council approved increasing the local motor fuel tax from \$.02/gallon to \$.05/gallon effective January 1, 2016. As a result of this increase, the following revenues have been realized:

2015	\$.02gallon	\$831,480.32
2016	\$.05/gallon	\$2,162,742.20
2017	\$.05/gallon	\$1,990,954.96
2018 Y-T-D	\$.05/gallon	\$1,524,007.31

The additional funding has been used to complete major road improvements including University from War Memorial to Forrest Hill, Sheridan from Nebraska to McClure; as well as, providing funding for street maintenance.

The City does not have a tax on cigarettes nor can we implement a tax under current State Statute.

Question 3-8	Question From	Answer From
Report looking at expenses the City would be incurring in the future for outlying areas and could the City charge higher fees for those areas.	Moore	Community Development
Report regarding City physical growth and impact on the City's expenses. Report reviewing ways of managing the growth and whether the charges incurred by the City were built into the developer fees.	Akeson	

The physical size of the city expanded dramatically in the 1960's with the "Richwoods Annexations." Peoria was a city of approximately 15 square miles in 1960, increasing to 39 square miles by 1970. The city is currently 50 square miles in area.

The population of the city peaked in 1970. However, if the existing population that was included in the Richwoods annexations is removed from the calculation, the population of Peoria peaked in 1950.

The population density of Peoria has exceeded 8,500 persons per square miles only twice. In 1890, the population density was 8,911 persons per square mile, and in 1950 the population density was 8,670. After the Richwoods annexations, the population density fell to 3,260 persons per square mile (1970). The 2010 population density was 2,309 persons per square mile.

Certain fixed costs will increase with the physical expansion of a city. These costs include public safety, public works, inspections and code enforcement, and any other public service that must be delivered to all areas of a city. The costs are not equally distributed throughout a city, and in almost all cases, the costs are far lower in newly developed areas versus older areas. However, this gap will generally only last until a significant public investment is required, at which point the cost to deliver services will almost always exceed the revenue from that specific area. In short, growth will provide an immediate and short term positive revenue flow, but over time, the revenue will generally not be enough to cover ongoing costs.

The mix of development and the types of revenue generated by or at the development also contributes to the positive or negative revenue equation. For example, a single family detached property is assessed property tax, the city will receive per capita revenue based upon the number of persons in the household, and there will be several utility or use taxes and fees charged against the property. However, the persons in that household are also making purchases in town, thus creating sales, motor fuel, and other tax revenue, even if the specific revenue is not being produced at their household location. As commercial development follows residential development, without new residential growth, new commercial growth would not occur. We also know that different types of base land use produce different levels of revenue and costs. Industrial and office development tends to have a high level of revenue and a low level of cost. Lower value single family detached development tends to have a low level of revenue and increasing costs over time. The costs associated with the original Growth Cells may be catching up to the revenue, but the Growth Cell area is still providing the highest property tax revenue per acre of any residential area in Peoria.

As very few cities are a monoculture of one development type, the challenge is to balance development in existing and new development areas. The balancing of internal and external growth, and of encouraging a healthy mix of development types is the key to good growth management for any community. The current (2011) Council adopted Comprehensive Plan concludes that there is no need for any further geographic growth of Peoria, as there is sufficient undeveloped and potentially re-developable land within the existing boundaries and the designated Growth Cells. Given the current state of the local economic, this broad approach does not need to be changed at this time, and annexations should be limited to designated growth areas or cases with extenuating circumstances.

Developers pay the initial infrastructure cost associated with streets, sidewalks, utilities, etc. in new development areas. Once public infrastructure has been inspected and approved, it is “turned over” to the City. From that point onward (except for areas with maintenance agreements), the responsibility to maintain the infrastructure is carried by the taxpayers. The City collects an education and recreation fee for all new residential development. These fees are held for the school and/or park districts and are designed to off-set the initial costs associated with new residential development. The City charges no impact fee, or any type of ongoing maintenance fee to the developer.

City staff is currently updating the Growth Cell Report and will provide further information and recommendations to Council by the end of 2018.



